The Philosophy of the Restriction of Output

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In a recent market letter issued by a prominent business house the following statement occurs in connection with a survey of current economic conditions: "The most important of the favorable factors are the world shortage of goods, the present low prices of investment securities and the expenditure of the greatest wage fund ever received by a nation's workers." Another high authority on present-day business conditions remarks with significant nonchalance: "The war consumed more men, more food, more clothing and more raw and wrought material than all the wars since 1760, though it left the United States richer than ever before." To substantiate this opinion he adduces a statistical array of a few score thousand war millionaires and the present estimated per capita wealth of the United States.

The Object of Restricting Output

Under the régime of money and price economy such factors as "the world shortage of goods" or "the expenditure of the greatest wage fund" are familiar concepts as evidences of business prosperity and national welfare. The primary purpose in modern business and industrial activity is merchandising—buying and selling with a view to securing as wide a margin of net money returns above cost as possible. As a result it often happens that a superabundance of merchantable goods is inconsistent with business success which is invariably measured in terms of net price returns. Over-production is the nightmare of business and though the children of common folks may starve for want of a sufficient supply of milk, as a matter of sound business policy it is better not to have too much milk to sell than to have enough milk to drink.[1]

Restriction of output and limitation of supply of goods are normal and legitimate phenomena in business. In fact, the life of modern business enterprise depends on such performances. The established governments sanction these practices and the courts protect the practitioners. In its stricter and more technical application, however, "restriction of output" refers not to the business man's method of monopoly control with a view to profitable merchandising; it has reference rather to the trade union policy of interference with the processes and guidance of production with a view to standardizing the volume of employment and the rate of remuneration of the wage workers. Regarded

[1] According to the newspapers, the milk distributors in New York memorialized the milk producers last winter to the effect that the already scant supply of milk in New York was too abundant, and that in order to make profitable sales it would be necessary to reduce the supply of milk still further. There was too much milk to sell but not enough to drink. Perhaps a more typical illustration of the same point is the sharp protest and rebuke with which the Chicago meat packers assailed the Army and Navy departments which recently released vast stores of meats to relieve the acute shortage and to afford a brief respite from the high price of meat with the result that the Army and Navy supplies of meat were either withdrawn from the domestic market or bought by the protesting packers. Obviously, there was too much meat to sell but not enough to go around.

in this light, "restriction of output" is a phenomenon in the modern industrial system which presupposes a high degree of organization of material and mechanical equipment and an equally highly organized group of workers subject to collective discipline and governed by common standards of work and working conditions.

As a phenomenon operating within the framework of modern industrial system the working-class method of "restriction of output" is a habit of thought acquired through contact with the discipline of modern business enterprise which imposes on all that come under its influence the necessity of getting without serving. In modern Christendom men do not go into business "for their health," nor do they seek out employment to fashion and produce goods. The purpose of work is to get wages as the purpose of business is to "make money." By the test of money and prices, scarcity of product and shortage of labor are blessings without disguise, since the one condition is good for business, and the other, good for the workers. Through the magic of the price system the loss of one is the gain of another and the hunger and destitution of the multitude is transformed into private profits and higher prices, so that business profits and prosperity are not necessarily synonymous with national exuberance or welfare of the masses. On the contrary, private gain and national grandeur feed on the misery and privation of the public.[2]

Conversely, to secure a tolerable measure of comfort and contentment for the large masses often involves heavy private losses and often the sacrifice of business solvency; for example, it is becoming more and more evident in these times of reversion ("reconstruction") that the degree of success or failure of the war-time food, fuel, and railway administrations was in direct proportion to the degree of sacrifice of or subservience to the interests of private business. The efficient transportation of troops and war materials, for instance, was made possible only at the cost of handsome railway receipts which resulted from the elimination of cross freights and the embargo on luxurious private trains and cars, not to mention the enforced retirement from their cynosures of the bewildering multitude of railroad presidents and office holders. On the other hand, the case of a young deputy fuel administrator in one of the larger middle western states serves as an object lesson, illustrating the extreme risk and hazard of an absolute and conscientious subordination of business profits to community welfare which came to be professed as a rule of conduct during the war. In this instance it happened that a large coal operator, who was at the time serving his country for a dollar a year, was more interested in an exclusive market for winter vegetables which required the use of several carloads of coal than in transportation of troops and war equipment. The young fuel administrator, by the scrupulous but indiscreet application of war-time rules governing the distribution of coal,

[2] "The contrast—which does not become blurred by familiarity with detail, but on the contrary becomes more vivid as the outlines are filled in—the contrast between the prosperity, on the one hand, of the most prosperous of all the communities of our western civilization, with its vast natural resources, the generous fostering of government, the human energy, the technical development, the gigantic tonnage of the mines and mills, the enormous capital of which the bank balances afford an indication; and on the other hand, the neglect of life, of health, of physical vigor, even of industrial efficiency of the individual" (worker). *Pittsburgh Survey*, pp. 3-4.

prevented the diversion of several carloads of coal for such a purpose, though to the operator the coal for this purpose had a higher *market* value than the comfort of the east-siders in New York or the life of a dough-boy in the trenches. The young fuel administrator was presently relieved of his responsibilities presumably "for indiscretion in the conduct of his duties" and was drafted into the army.

This somewhat disjointed and more or less anecdotal recital of incidents in the conduct of modern business and industry has seemed necessary in order to emphasize the distinction between money gains and price returns—the real ends of business and industry, on the one hand, and the production of goods and personal services, the supposed ends of business and industrial activity, on the other. It would serve no good purpose here to enter upon a recital of the circumstances which have attended this subversion of the end and aim of economic activity. Let it suffice to point out that the modern conception of welfare in terms of price equivalents is so well grounded in the habits and practices of modern civilization that not only does the notion find expression in the daily conduct and manner of life of all classes of people but that it has also been crystallized into one of the fundamental economic doctrines of modern times and is to be found in articulate form in the theoretical formulations of the common run of economists.

LIMITATION OF SUPPLY AND INCREASED PRICE

The fundamental problem in current orthodox economic theory is the problem of value and the point of departure as well as the final resting place of this problem is the theory of marginal utility. According to the marginal utility theory of value, given the human desire for a commodity, the utility of the commodity to the individual is to be measured by the utility of the marginal increment of the commodity in question. In the nature of the case, the greater the number of these increments the lower the marginal utility and the lower, therefore, the marginal utility of the commodity to the individual. In other words, the greater the scarcity of the object involved the higher the esteem or worth in which it is held by the individual. As a further corollary of the main proposition it is held that the individual's own estimation of the goods constitutes the real income of the individual; that is to say, the question of the utility of an object is a matter for individual estimate and, therefore, individual, "subjective" psychology. In other words, income in the final analysis is "psychic" in nature and character.[3] The unavoidable conclusion of the argument then is that the less one has of goods and services, the greater the marginal utility of those goods and therefore the greater the individual's "psychic" income. So that whereas the common sense view of welfare would have it that half a loaf is better than none, according to the logic of current economic theory fortified by business practice, half a loaf is better than one, or that the Spanish *caballero* who stinted himself and finally died of starvation in order to maintain a well-fed and well-groomed door keeper is "psychically" better off.

"To man propose this test
Thy body at its best
How far can that project thy soul on its lone way?"

[3] *Cf.* Fisher Irving, *The Nature of Capital and Income,* Chap. X.

As has been intimated more than once in the course of this discussion, the limitation of supply to enhance the price is a normal and legitimate business practice by business men. The modern captains of industry—those whom "God in his infinite wisdom has placed to watch over the welfare of the community"—through careful training and long experience have been emancipated from the notion of viewing welfare in any other light than that of price equivalents. Recently, however, the business method of turning an honest penny has affected the methods and policy of the working classes as well.

Although the method of the restriction of output has been on the trade union statute books as a means of standardizing wages and working conditions, not until within quite recent years has it meant more than trade union rules regarding apprenticeship and membership. At the present time, restriction of output refers to the wide-spread and menacing practice of what may be characterized as the "conscientious withdrawal of efficiency" by the working classes regardless of trade union affiliations. It is the art of substituting salesmanship for workmanship which the working classes have learned from the employers and are applying as wage workers. It is the strategic manoeuvering of the working classes to sell their time and energy for the highest price possible. It is the policy of enhancing the price of labor by limiting the supply.

Among the many preoccupations that beset the mind of the modern working man is the belief that, through organized effort, the economic and social conditions may be altered to the advantage or disadvantage of one class or another. There exists the conviction among the working people that the problem of distribution is a problem of price manipulation and that it is all a matter of human arrangement rather than the result of immutable and pre-existent economic laws which bind mankind and out of which no one can stir. One method of converting a wage bargain to one's advantage in the view of the worker, is, therefore, the deliberate and conscious restriction of output. The worker's idea of stock watering is to dilute one's labor power by giving less service for a stipulated wage.

THE TRADE UNION THEORY

Another of the business principles which the trade unionist is coming to appreciate more and more is the principle of patrimony or vested rights. The institution of private ownership is hedged about and protected by a legal system of which the foundation is presumed to be a balanced arrangement of rights and obligations. For the most part, rights are of positive character, are impersonal, and have to do with property; obligations are of negative character, are personal, and have to do with persons. The net outcome of this general system of law and ownership is that the possessing classes are vested with positive rights and with little or no obligations, while the dispossessed classes are blessed with obligations and with little or no rights; for instance, the law recognizes and enforces the right to the use and enjoyment of an item of property by the owner. It also recognizes and enforces the obligation of persons not to interfere with such right but the law does not recognize and therefore cannot enforce the right of an individual to a livelihood. Livelihood unless attached to an item of property is not a legal right but a personal obligation at best.

The modern trade union appears to have overcome this discrepancy, however, by the same logic and pettifoggery which has invested property rights with stability and respectability. By way of an offset to the property rights of the owning classes, the trade unionist invokes the patrimonial rights of the worker in his particular trade and particular job. Consequently, any move whatever, such as innovations in the processes of production and introduction of machinery, which disturbs the "established expectation" of the worker with respect to wages and conditions of employment is conceived to be a violation of the vested rights of the workers. Similarly, anyone who has not attained his place and position in the trade through the regular channels of apprenticeship and trade-union membership is regarded as an "imposter" a "quack," and deserves the contumely of mankind much the same way as one who has come into possession of an item of property through deceit and thievery. At any rate, it is in this light that the trade unionist views the situation.

The trade-union theory of vested rights and the less articulate but more formidable theory of "conscientious withdrawal of efficiency" operate to "restrict output" and "retard progress." But modern trade unionism partakes of the nature of business enterprise which implies that its members are more interested in wages—price per hour, per day, per week—than in output of goods—tons and yards per day, per week, per month.

Modern industry is controlled and managed by a small group of the propertied class who are at no time and at no point in contact in anyway with the mechanical and technical processes of production but who, nevertheless, are secured in their use and abuse of the usufruct of the industrial system; that is to say, the managers of modern industry and the guardians of the community's welfare are in the position of absentee owners without responsibility to God and without obligation to man.

So long as the working population remains in blissful ignorance of the magic potency of business principles to make something out of nothing, the community may be tolerably assured a safe margin of subsistence, despite the continuous interference and pestering of business men with processes of production. But with the taste of the fruit from the tree of knowledge the working classes are gradually assuming the rôle of absentee workers and are falling in the position of irresponsible agents in emulation of the absentee owners and their irresponsible principles. Under these conditions, notwithstanding the unlimited natural resources and the unprecedented advance in the arts of industry, the existence and welfare of modern civilized communities is likely to become precarious.

All the while the disinclination on the part of the wage earners to produce anything but wages grows with a growing distrust of their well-wishers—the employing classes, the social uplifters, and the reformers, and so long as the price system endures there seems to be no help for it. Moreover, the practice of "conscientious withdrawal of efficiency," engendered and stimulated by modern business principles, is likely to become habitual and enduring even to the disappearance of the narrowest margin of production over cost. On the other hand, the trade-union theory of the workman's patrimony in his trade and position is not likely to prove of serious consequence, since new inventions and mechanical re-

finements are destined to render nugatory and obsolete the "skill, judgment and dexterity" of any one worker in relation to another upon which rests the trade-union theory of vested rights. So that with the gradual disappearance of the distinction between skilled and unskilled trade, the conventional rules regarding apprenticeship and trade union membership are most likely to be discarded.

Allowance is to be made, of course, for the extension of such devices as scientific engineering, bonus systems, welfare work, educational and philanthropic adventures and the like, to keep the industrial system in repair, and it may well be that some device may yet be found to preserve the price system and at the same time meet the bewildering demands of an increasing standard of living throughout the civilized world. At best, the devices hitherto tried cannot be said to have met with anything like a crowning success. Of these devices, scientific management and efficiency engineering gave perhaps the greatest promise, but these devices have so far worked to the greater advantage of the employing classes—at least, so the workers think—and to that extent they have failed to enlist the coöperative support of the workers.

More recently a new psychology, the psychology of the working classes, has created considerable excitement even among intelligent and soberminded people as promising to solve the problems of modern industry and to speed up production. Briefly stated, the new psychology proceeds on the assumption that the mental processes of the working classes must be studied with a view to discovering the evils which ail them and subsequently to set them right. The industrial problem in this view of the case resolves itself into one of mental attitudes. The thing to do, then, is to induce in the workman the proper mental attitude.

"The mind in its own place
Can make a hell of heaven and heaven of hell."

WHAT IS PRODUCTION

Production is as much a question of what to produce as it is a question of the amount to produce. Under the system of money and prices this question becomes irrelevant, since the same pecuniary test is applied to the questions of what to produce and of how much to produce. Production is production of price returns—"proceeds." Any economic activity whatever that falls short of a favorable balance in terms of price, by that much falls short of being productive.[4] Restriction of output is productive by the test of modern business principles. It is hallowed by time and sanctified by usage. It may, therefore, require something more than the pursuasive eloquence of pulpiteers or the skillful legerdemain of the so-called psychologists to induce the working classes to high thinking and right feeling in order to rescue and rehabilitate the "instinct of workmanship." Just now, under the system of price and business enterprise the path of least resistance leads in another direction.

[4] Cf. Davenport, H. J. *Economics of Enterprise*, Chap. IX.